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The MANAGEMENT REVIEW

MARCH, 1937

Can They Laugh Today?

"ANY employee who is in the habit of smoking Spanish cigars, getting shaved at a barber shop, going to dances and other places of amusement, will most surely give his employers reason to be suspicious of his integrity and all-around honesty. . . .

"MEN employees are given one evening a week for courting purposes and two if they go to prayer meeting regularly.

"AFTER 14 hours of work in the store, the leisure time must be spent in reading good literature."

H. G. WEAVER of General Motors found the above gem in the 1937 employee-rule book of a large department store, reproduced from a book of rules issued in 1854 (see page 94).

IN 1854, it was indeed a "body and soul" arrangement between workers and management, and, although we may laugh today at such quaint goings-on, in those dear dead days they took it all very seriously.

YEARS hence, an amused generation will lift passages from now circulating employee manuals and exclaim "how silly!" Any such ridicule will be no skin off our calloused elbows—the important thing is: Can anyone pick up your employees' manual *today* and laugh? Read it through some day and make sure. See that

it is as modern as your most modern machine; see that its spirit is that of the 20th century industrial philosophy, that is, mutual interest between workers and management.

AND speaking of workers . . . what do they want? It depends, says Whiting Williams (page 92). It depends on the conditions surrounding the specific situation. From some employers they want different things than they want from others. In bad times workers want security, but it is wrong to assume that that is all workers *ever* want. As better times come they also want opportunity. As far as the thirty-hour week is concerned, the rank and file has practically no wish for it unless it is accompanied by the same weekly income as before.

ON the other matter of paying executives we have seen much of late, but nothing better from a common-sense standpoint than that by Harry A. Hopf (*Executive Compensation: A Problem in Incentives*, page 95).

IN selling these days, it's pictures. We refer you to *Proof in Pictures* (page 101) and to *Pictorial Selling* (page 102) to see how two companies used pictures in their sales work and thereby reduced the time spent with each prospect, showed the complete line to advantage, and accomplished many other things that print and talk did not.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

Current Comment

REVISING OUR ANTI-TRUST LAWS

WHILE it is undoubtedly true that American people feel the need for more comprehensive regulation of business by the Federal Government, nevertheless, any political regimentation would be strongly opposed.

While there is probably no disagreement upon the need, there is disagreement upon the *nature* and *effect* of proposed remedies. Both major parties declare that "a private monopoly is indefensible and intolerable." However, no informed lawyer or political scientist believes that our present anti-trust laws safeguard the American people against the growth of monopolies or the development of monopolistic practices.

It is, nevertheless, quite evident that the anti-trust laws, by their sweeping prohibitions and uncertain application, impede many co-operative efforts of business men to eliminate unfair competition and, indeed, to protect them against the growth of monopolies.

The anti-trust laws make discriminatory prices illegal but leave the business man constantly in the dark as to whether a great variety of particular price variations are justifiable and legal, or violations of law. Every manufacturer knows that where wages are a substantial part of production costs, the employer who underpays or overworks labor, forces his competitors down to an anti-social level of wage payments. But there is in the anti-trust laws no relief for the conscientious employer against such unfair competition; in fact there are many obstructions to collective efforts to obtain relief.

There are three major means of enforcing the anti-trust laws—prosecutions by the Department of Justice, proceedings before the Federal Trade Commission, and private suits for treble damages. Business, operating in the enormous twilight zone between clearly legal and clearly illegal action, faces this triple threat with one unhappy assurance—that the Department of Justice and the Federal Trade Commission and the Courts will each interpret and apply the law differently—so that until an alleged offender reads the probably divided opinion of the Supreme Court no one can assure him whether he is a lamb or a goat. He can only be assured that he is going to be a burnt offering on the altar of Justice.

Now it should be evident that when the most important laws affecting the commerce of a nation are so shrouded with uncertainty, when their meaning and administration are so obfuscated with legalistic doubting and debate, there is urgent need for a plain restatement of the law and a remodeled machinery of administration.

There are three parts to any adequate program for revision of the anti-trust laws:

First: Rewrite the substantive law and procedure to express clearly a national economic policy that is consistent and sensible and appropriate for an industrial nation of the twentieth century.

Second: Establish an adequately implemented commission to apply and to enforce the law against monopolistic and unfair practices, with appropriate provision for judicial review of its orders.

Third: Establish an administrative agency authorized to apply the legislatively defined policy in encouraging and aiding business men to cooperate in improving the fairness and efficiency of industrial methods. Authorize this agency to give temporary sanction to any such cooperative agreements which do not violate any of the legal prohibitions of monopolistic or unfair practices. Provide for the review of such sanctions by the enforcement commission upon complaint of the government, or of any competitor, or other person alleging injury as a result of the approved agreement.

These conclusions do not mean the writing of any novel law, nor the creating of any novel mechanisms of administration; nor is it suggested that any change be made in the existing *objectives* of our laws. We have been seeking for years to prevent the growth or operation of monopolies. We have been seeking to establish a system of regulated competition, but to maintain the essential freedom of private enterprise. These are our fixed objectives. We do not wish to escape from the frying pan of private regimentation by huge business organizations into the fire of a political regimentation by a huge government bureaucracy.

We can only maintain a political democracy by insuring the preservation of an economic democracy. We can only avoid a socialistic control of business by the state by establishing mechanisms of self-control—not by private, secret agreements, but by open cooperation in conformity with safeguards of the public interest and definite standards of fair competition enforced by government.

DONALD R. RICHBERG
Co-author of the NRA

Mr. Richberg has based this Current Comment on his address before the Ohio Bar Association, January 9, 1937.

THE MANAGEMENT INDEX*

Abstracts and News Items

GENERAL MANAGEMENT

Commodity Prices During 1937

In view of the relatively sharp rise which has taken place since last June in wholesale commodity prices, business should be exceedingly curious concerning the probable course of such prices during the next twelve months.

This writer is of the opinion that wholesale commodity prices in the aggregate, will be very little higher next December than they are today, and he would not be surprised if they were actually slightly lower. And as to the effect of commodity price fluctuations upon industrial activity, the writer holds that only a very sharp rise during the next eight or ten months would constitute a definitely dangerous and harmful development. Incidentally, the obverse is conceivable only in the event that a substantial decline in business activity should appear first. By L. Merle Hostetler, *Modern Finance*, January 1, 1937, p. 4:2.

How Top-Notch Business Executives Began

Which routes most often lead to top-notch positions in business? An analysis of the careers of eighty of our very foremost business executives reveals that legal training easily tops the

list—a commentary upon how complicated has become the running of our great modern business enterprises. Office-workers rank second; about half of them were ordinary office-boys, although others started somewhat higher up. Among the professions, engineering follows law as a stepping-stone to the summits. Four began in the mechanical field below the rank of engineering.

Astonishingly few who started as salesmen are today corporation presidents, although several embraced selling experience in the earlier stages of their rise. The prospect is, however, that more companies hereafter will be headed by men who have mastered salesmanship. Not many began at the very bottom in factories, mills or mines. By the Editor. *Forbes*, January 15, 1937, p. 10:1.

Depression Causes and Cures

In the United States, 1930-33, by taking measures to stabilize wage rates and by curtailing production through the A.A.A. and the N.R.A., we intensified the depression we sought to cure. Recent investigations indicate that every severe decline in business begins with a sudden shrinkage in demand.

* For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

The advent of a credit economy has been instrumental in ushering in depression.

When over-optimism strikes the people more is spent than is indicated by the incomes. Indebtedness is piled up.

Were the policy adopted of keeping all selling prices and wages flexible, a depression would not be able to get started, but with fixed selling prices and wages and declining demand, depression is inevitable.

One more depression as severe as the last may spell the doom of independent enterprise and introduce a socialistic state. To prevent the recurrence of a depression, legislation must be enacted that by increasing production would tend to increase the total volume of profits in the United States.

The control of money and prices cannot be avoided. The question at issue is whether or not this control is to be scientific. By Willford I. King, Professor of Economics, New York University. *The Cleveland*, January, 1937, p. 3:2.

Chief Problem of 1937

The January, 1937 Newsletter, of The National City Bank of New York, states that 1936 has closed with business at the highest level since the depression began and 1937 opens with great expectations. The problem now is to get away from emergency policies back to the regular self-supporting activities of a balanced system; to put every available worker into a job where he will help the whole situation instead of being a burden to it.

The equilibrium will not maintain

itself without understanding and co-operation. And in the agricultural field the outlook is not entirely secure. Part of its income is derived from government payments; prices have risen on a basis of short production; and full crops all around might again create a disparity.

The Newsletter in conclusion states that the commodity price rise in the past two months has been very rapid and when business men decide they have bought as far ahead as advisable the move will slow down and the pace of recovery may slacken. *Mechanical Engineering*, February, 1937, p. 119:1.

Record-Breaking Period Ahead for Equipments

In this article tables are given showing that there is not a single member of the various equipment groups that failed to establish a gain in earning power last year. J. M. Symes, Vice-President in Charge of Operations and Maintenance of the American Association of Railroads, said that reserves of railroad equipment were practically exhausted and a modest increase in freight traffic would necessitate large purchases of equipment. The railroad equipment companies will also be the beneficiaries of a large rebuilding program.

The electrification and modernization of industrial plants and the sustained demand for household apparatus has increased the work of the makers of machinery and electrical equipment.

Foreign demand promises to become increasingly important during the course of the present year. As trade

and industry improve, the demand for business equipment increases. This increase is furthered by the Government's interest in new business equipment due to its enlarged field of activity.

The outlook for agricultural equipment companies rests on the farmers' purchasing power and this continues improved. *The Magazine of Wall Street*, January 30, 1937, p. 494:2.

Durable Goods Sharing Fully in Recovery

Convincing evidence is now available that the durable goods industries as a whole are at last getting a reasonable share in the business recovery. The capital goods prospects are the best in a decade. Charts are presented in this article which show the trend of operations in a number of representative heavy industries during the seven lean years of depression as compared with the period of prosperity preceding the industrial collapse in 1929. An extensive recovery in durable goods can be seen. Population growth itself is a powerful factor responsible for steady expansion of demand for capital equipment and other durable goods.

Steel, autos, and machine tools lead recovery but steel boilers still lag.

None of the heavy industrial equipment industries has responded to recovery as decisively as have the steel and machine tool industries.

Charts are also given which present the huge latent demands which still exist.

The tax on undistributed earnings will tend to force a larger distribution of corporate income as dividends to stockholders. This means that future purchases of new equipment and plant expansion programs will have to be financed chiefly out of new capital issues instead of corporate savings. By J. Frederic Dewhurst. *The Iron Age*, January 21, 1937, p. 24:6.

Business Recovery and Government Policy

The author advocates the raising of reserve requirements to the full limit allowed by the law and endorses the policy of the Administration in building up foreign trade through the reduction of tariffs and the removal of trade restrictions, not only because an import surplus is the means by which a creditor country receives payment, but because it is the great road toward world peace. By Winthrop W. Aldrich. *The Bankers Magazine*, January, 1937, p. 7:3.

FINANCIAL MANAGEMENT

1001 Embezzlers

That it is hitherto honest men and women employed in American business who embezzle an estimated \$200,000,000 yearly from their employers, is one of the conclusions reached by this study

of embezzlers. It shows that the typical American embezzler is a white collar worker. He is 36 years old, has a wife and two children. He does not live in a low-rent neighborhood where crime is abnormally widespread. His

upbringing has been good. He has a high school education. He lives comfortably. His friends and very often his wife imagine that his salary is higher than it is. He has a medium-priced automobile.

He is a competent worker. His employer regards him favorably and he has honestly earned the position of trust which he has attained. In the main, old and trusted employees are the embezzlers. Ninety-one per cent of the embezzlers were supervised; their accounts or stock were checked at regular intervals.

Of the 1,001 embezzlers, only 22 men and two women absconded, while 28 men and two women committed suicide before or at the time their shortages were disclosed. In addition, there were a number of cases of sudden death. On the average, more embezzlers confess their peculations than abscond.

In its conclusion, the study states that if there is any one thing which might be said that would apply to the greatest number of embezzlers, it is that in one manner or another they lived beyond their means and that in a very large number of cases it would only be necessary for them to be more careful in this respect to avoid trouble. *United States Fidelity and Guaranty Company, Baltimore, 1937. 38 pages.*

The Social Security Act Should Be Amended!

This article outlines the changes in the present social security plan for which business men should unitedly ask. The author tells of the problems

under the present plan with regard to the matter of private and corporation pension plans, old-age pensions, debt, payroll taxes, etc., and gives his suggestions for improvement upon these problems.

When the subject of amending the Social Security Act comes before Congress, all the faults of the present system should be considered. The two outstanding defects in the old-age security program as it now stands are: (1) The use of the full reserve plan, and (2) inadequate benefits for those included in the contributory plan who soon will reach the retirement age. By adopting the "pay-as-you-go" or "current cost" principle, and providing for the accumulation of a moderate contingency reserve only, the first defect will be removed. This will then open the door to changes which will in large measure make possible the removal of the second. By M. A. Linton, President, Provident Mutual Life Insurance Company. *Forbes, February 15, 1937, p. 14:3.*

Cost Accounting Opportunities Under the Robinson-Patman Act

In his paper Mr. Sawyer mentions several clauses in the Robinson-Patman Act in which cost problems arise. He stresses the particular importance of the clause which reads: "Provided that nothing herein contained shall prevent differentials which make only due allowance for differences in the cost of manufacture, sale, or delivery resulting from the differing methods or quantities in which such commodities are to such purchasers sold or deliv-

ered," and analyzes it with regard to its importance in the accounting profession.

Several questions and answers of counsel are given in connection with the item of a 10 per cent discount over the 25-gross item when 100 gross were sold. The first consideration is whether the item was one that was carried in stock or one that was made to order. The reason for the question is, of course, that had it been a made-to-order item there would have been no doubt as to what constituted a minimum production run. By the very nature of the made-to-order items they are self-contained manufacturing operations, so that savings in manufacturing costs may be present in every quantity difference between made-to-order items "of like grade and quality."

A second characteristic of quantity discount justification problems is elaborate price structure. In the case of order-handling expense, the difference in quantity must be large enough to support the reasonable probability of saving in the total number of orders handled in the course of the year. Some elements of order-handling cost respond but slowly to reduction in the number of orders handled, and the accountant must derive from the actual marketing experience some reasonable basis from which he can infer the probability that buyers of larger quantities will be numerous enough to achieve the desired reduction in the number of orders.

A third consideration is the sources of saving. The cost man has a wide field in which to seek out these savings

and devise techniques for measuring them. In this work there is an opportunity for a realistic analysis of the cost of doing business in all of the various ways in which this occurs, and the opportunity has behind it the impetus of competitive pressure that should put a profitable premium upon clear-headed cost work. By Albert E. Sawyer, Legal Department, Dennison Manufacturing Company, Framingham, Massachusetts. *N. A. C. A. Bulletin*, February 15, 1937, p. 679:10.

Do You Need Capital?

As a result of the gradual liquidation which began well over a year after Congress passed the Securities Act in May, 1933, the aggregate of all corporate underwritings expanded steadily from a low of \$381,583,000 in 1933 to a high of \$4,631,945,000 in 1936.

These industrial underwritings, whether refunding operations or new issues, are readily divided into three types: (1) Issues for large national corporations with widely recognized names (2) issues for moderate-sized industrial and commercial corporations which often are known only in their locality or in their respective lines of trade but which have operated profitably for two or three years, and (3) issues of newly organized or small concerns whose prospects and outlooks are obviously questionable.

The security market is now going into a period of rising business, and the refunding operations of large national and international corporations are getting under way. Investment bankers

are looking for companies, not entirely large ones by any means, which can use new money for sound expansion. Finally come the new issues. By Roy A. Foulke, Dun & Bradstreet, Inc. *Forbes*, February 1, 1937, p. 18:1.

Contemporary Financial Practice

This article contrasts our present financial methods with those of the preceding decade and forecasts changes which should logically result from present tendencies.

The retrospective examination of conditions preceding the crash has revealed that the credit structure supporting the machinery by which securities were underwritten and distributed was extremely tenuous. A survey conducted in 1930 showed the unusual proportion of national income which found its way into new securities and call loans.

After the crash the unstable character of the systems, both of capital and commercial financing, became apparent. Credit for underwriting and trading operations in capital issues practically disappeared and rapidly dimin-

ishing credit extensions were evidenced in the field of industry. Practically all bank credit became frozen. It became necessary for the Reconstruction Finance Corporation to advance large sums to thousands of banks and other institutions to forestall disaster.

Observation of the unsatisfactory functions of bank credit preceding and subsequent to 1929 and attempts to devise remedial measures resulted in the announcement during 1932 and 1933 of various conclusions and proposals of reform. To strengthen the weak points of the credit system, it was suggested that commercial banks should be barred from ownership of securities affiliates; that long-term lending operations should be severed from short-term lending functions by absolute separation of savings banks from commercial banks; that the use of depositors' money, or manipulation of Federal Reserve privileges for speculative operations be prohibited; that all commercial banks must affiliate with the Federal Reserve System. By William H. Crow. *Modern Finance*, February 1, 1937, p. 53:4.

INSURANCE

Insurance abstracts are contributed by P. D. Betterley, Insurance Consultant, Assistant Treasurer, Graton & Knight Company.

Insurance Practice and Theory

The more one knows of insurance practice, the more perfectly qualified for the theoretical study of insurance he will be. The more intimately acquainted a practical insurance man becomes with the theory of insurance, the

better he will be able to serve his particular aim and object.

The common denominator of interest among those in the insurance business is, or ought to be, the uniform conviction of the high ethical, social, and economic value of insurance.

Preparatory training can hardly be too comprehensive. A thorough study of national economy is most important, with business economy as a side line. Legal and actuarial training take second place only. Far too little attention is paid to what people outside the professional fraternity think of insurance and how insurance conditions, prospectuses, rate tables, profit-sharing plans, etc., are interpreted by them, and how they are bound to be interpreted by any layman.

This article is a portion of a paper by Dr. Alfred Manes, given at the annual meeting of the Association of University Teachers of Insurance. *Journal of American Insurance*, January, 1937, p. 24:1.

All-Cover Liability Policy

The current theory of protection is that the insured shall select the coverages which he requires, and that each coverage shall exclude the insurance afforded by all other coverages. This system tends toward insurance only for the minimum of hazards and has become so technical and involved that even underwriters do not agree upon questions of coverage. The outstanding fault of the current system is that it offers no sound method of reducing insurance cost. Insurance as such serves to eliminate risk and spread losses, but it does not and cannot eliminate or reduce losses—cooperation between insurers and the insured can do much to reduce the cost of losses.

Instead of covering the entire liability of the insured and teaching him to reduce his cost by accident prevention

effort, we encourage him to reduce his insurance cost by selecting narrowly restricted coverages. An all-cover policy insuring against all liability hazards which are the proper subject of insurance should be adopted. The development of such a policy is inevitable; therefore, it behooves everyone who is in a position to help develop a simple, satisfactory policy to do his part. The author stresses the importance of the following points:

1. The necessity of teaching the policyholder that cost is reduced by prevention of accidents.
2. The importance of simplifying underwriting rules.
3. The simplification of the policy contract. There is little doubt that too much emphasis is placed upon judicial interpretation of the policy.
4. The legislative program. A liability company should be permitted to insure against types of liability other than those for accidental bodily injuries and property damage, including assaults, false arrests, slander and libel by the employees of the insured.

By no means the least important is the development of public sentiment, and the author points out that some companies will not yield until demand for the all-cover policy becomes too strong to be resisted. *The Insurance Post*, December, 1936, p. 5:3.

All-Risk Public Liability

An All-Risk Public Liability Policy is exactly what the name implies: A clean, clear-cut, comprehensive form, which truly insures the assured for all of his operations. It is a combination

of the various public liability coverages molded into one broad form.

There are two sections of a liability policy which are of major importance—the insurance clause, which sets forth the coverage, and the exclusion clause, which always removes part of the broad coverage set forth in the insuring clause. Therefore a liability policy insuring clause means nothing unless the restrictions, limitations and exclusions are taken into consideration. This matter should be brought to the attention of every purchaser of liability insurance.

This all-risk policy is individually underwritten upon submission of a completed questionnaire. Each risk must be carefully studied and the hazards surrounding the business operations of the prospective insurance buyer must be thoroughly analyzed. *The Spectator*, January 28, 1937, p. 26:2.

Editor's Note: For several years there has been considerable agitation for comprehensive policies, and the foregoing type of policy appears to be a step in the right direction. It is most disconcerting for an insurance buyer to discover, *after a casualty*, that his insurance contract did not cover all hazards of the same general character. The argument has been advanced that the purchaser should read his contract, but the insurance business is a highly complicated one and the average property owner and business man is not in a position to interpret the finer distinctions often found in an insurance policy. Many policyholders will maintain that their agent or broker should

know. He sometimes tells them what a policy will cover, when he has neither the correct interpretation, nor the authority to bind the underwriters for the broader coverage.

Revised Supplemental Coverage Form

The third revision of the Supplementary Contract No. 3 has broadened and clarified it, notably adding smoke and motor vehicle damage.

With supplemental contracts the liability of the fire policy is simply extended to include the additional perils named in the endorsement, and the total liability cannot be greater than that of the fire insurance coverage. *The Spectator*, January 28, 1937, p. 27:1.

Premium Financing Plan for Fire Insurance

Premium financing of insurance policies issued by fire insurance companies is now possible under a plan sponsored by the First Bancredit Corp. of St. Paul, Minnesota. Six per cent simple interest, without any down payment and without service charge, is the rate under the new plan. The insured retains his policies during the time he is paying off the indebtedness, and the policies may be canceled for non-payment on a pro rata basis.

More than 200 fire insurance companies have endorsed the new plan, but naturally do not encourage any financing of premium when full cash payment can be secured. Fears of many agents that their business will be subject to twisting and the allegation that discrimination is being practiced against

insureds who pay their premiums in full are said to be unwarranted. This is represented to be a distinct step forward in the property insurance business. *The Eastern Underwriter*, January 1, 1937, p. 18:1.

Editor's Note: Many policyholders will welcome this new development, although it should be apparent that the loss of these advanced deposits may result in reduced income for the underwriters. Will it in turn result in a contention on their part that increased rates are necessary? It is obvious that many an insured person will not be anxious to prepay his premium if he can obtain the same coverage under an installment plan. It appears that this new plan will have a widespread effect on the insurance business.

All-Risk Fire Policy Is Proposed

Aroused by the present flood crisis in which hundreds of millions of dollars in property damage has been incurred without insurance protection, one of the most able underwriters in the fire insurance field has projected a suggestion for a new type of coverage, and the suggestion has been forwarded directly to President Roosevelt. Insurance should provide against future property loss from the same (flood) cause, and an investigation has been proposed, with an offering of indemnity to property owners against such catastrophes as floods, tornadoes, earthquakes, etc. All the machinery necessary for this work is at hand and is ready for a much heavier load than it is now carrying.

Under the All-Risk Policy the coverage would be nation-wide in all lines, and a proper spread of risk could be secured to provide a gratifying loss ratio. The tremendous good-will developed by life insurance has not been equaled by fire insurance because there has been constant litigation in border line cases as to liability. This would be removed under the policy and the property owner would know that, whatever might be the cause of the loss, his property values would be insured. *The Weekly Underwriter*, February 6, 1937, p. 317:2.

Editor's Note: The foregoing proposal may seem rather startling and undoubtedly will encounter much opposition of the traditional type; nevertheless, the undertaking is not impossible. It coincides with the frequent advocacy of more comprehensive insurance policies. Practicability and security seem to hinge upon a thorough spread of the risk.

Insurance Averages

The business of fire insurance is an average one based on experience. Sound indemnity never has been produced through inadequate rates and excessive expenses, and it never will. The natural law of economics still applies to underwriting and management as it always has.

It is entirely reasonable to assume that we will have a series of years of normal burnings, following the low burning experience of the last three years. A series of such years will prove the wisdom of developing large sur-

pluses during the favorable years. (An interesting compilation of losses for the years 1921 to 1935 accompanies

this editorial article.) *The Weekly Underwriter*, January 16, 1937, p. 167:2.

OFFICE MANAGEMENT

What Are You Doing About Noise in Your Office?

Although modern business could no more do without mechanical aids in offices today than it could do without electric lights and elevators, these mechanical aids are the cause of most of the undesirable sounds in offices. With the constant hammering of old-fashioned, noisy, typewriters there is little chance for constructive thinking.

The remedy for this state of affairs lies with reducing the effect of the noise once it has been created. Intricate instruments are now being used to tell the length of time the reverberations take before they die and just how many decibels of sound are present in the office when it is going full speed. In this way, the requirements of each office can be looked after with more than a haphazard placing of sound-absorbing material.

The records of many companies indicate an increase in efficiency and a reduction in errors of workers when located in quieted offices. By Earl F. Damude. *Office Management*, February, 1937, p. 9:4.

Controlling Operations of a Company Garage

This report presents the results of a survey of the policies and practices in effect in connection with the operation of company garages and is con-

cerned with the steps taken to effect the economical maintenance and operation of the automotive equipment and to safeguard the investment in these assets. The various types of records commonly used for this purpose are described and illustrated. It is limited generally to a discussion of maintenance practices, development and control of the more important elements of operating costs, and equipment replacement policies. Prepared by Policyholders Service Bureau, Metropolitan Life Insurance Company, 1936. 34 pages.

Two Office Systems from Germany

About ten years ago a general register of numbers of every German village was issued by the National Office for Statistics. This register, a volume of about 1,200 pages, contained every German village with its own name and a coordinated number, in alphabetical order, and in its second part a continuous row of numbers beginning with 1, and the name and situation of the respective village or town.

The system of coordinating a number to each town was that the nine most important towns of Germany, at the same time government centers of the main districts, were given the numbers of 1 to 9, thus Berlin was No. 1, Hamburg 2, etc. Round each of

these towns the nearest and most important nine towns were given the numbers 1 to 9 as second digit, the first digit being the number of the main town of the district. This system was continued until every village had got a number in a system of up to six digits.

This system was adopted as a basis for several methods of filing in the filing departments of firms with a large number of customers or representatives spread over a wide area or over the whole country.

The different methods of manifold-ing documents and of producing a series of corresponding documents in one process has gradually become an important part of internal business organization and has resulted in rapid progress in the saving of time, clearness and uniformity of commercial correspondence. In this article, a special system of manifolding is described which has produced advantageous results in many businesses. *Industry Illustrated*, January, 1937, p. 40:2.

Erection of New Offices

The organization manager, Horlicks Malted Milk Co., Ltd., gives his answers to three controversial questions on the erection of new offices:

1. Offices in long bays without partitions are preferable because the cost of maintenance is reduced, the floor space is saved, flexibility is secured, and supervision is made more easy. If, however, noisy machines are in use, it is desirable to have sections partitioned off.

2. A southern aspect will have a good effect on the staff—both actual and psychological, and the annual bill for artificial and heating light will be considerably less. For an advertising agency or drawing office, however, a north light would be preferable. If blinds are needed, I favor the Venetian blind.

3. The ideal type of heating or ventilation is air conditioning with the windows sealed. A forced outlet (as well as inlet) is, of course, necessary. The principal drawback is that in installation and maintenance it is probably 35 per cent to 40 per cent more expensive than radiators.

The second best way is heating with the ordinary plenum system with the windows open for a certain amount to allow egress. This is considerably cheaper, but even then, is about 25 per cent more expensive than radiators. *Industry Illustrated*, January, 1937, p. 4:1.

Millions Wasted in Printing

The printing industry is the third largest industry in the United States, and the largest industry when the amount of value added to raw material is considered. There are 22,500 plants in the country doing all kinds of work, and it has the largest payroll in the United States.

It is one of the most disorganized and inefficiently operated major industries in the land. Over 58 per cent of its plants are located in three principal cities; over 57 per cent of the industry is owned by individuals; over 75 per cent of the plants employ

less than 5 workers; the majority of the plants are heavily over-equipped—anywhere from 50 per cent to 150 per cent.

In the 22,500 plants doing business, poor management is the rule rather than the exception. Investigation shows that only 9 per cent of the waste in printing rests on the buyer or consumer, but he is the one who stands the cost.

In spite of proof on all sides of the value of an accurate cost-finding sys-

tem a survey of 1,538 plants in New York showed that only 56 had a standard cost finding system, and that only 243 of the 1,538 earned money.

Because it is a job industry, it is at the mercy of its sales organization, and the peculiar whims of its thousands of customers.

The author offers suggestions to the consumer to reduce the cost of his printing. By Richard Nowinson, Ball Printing Company. *N. O. M. A. Forum*, December, 1936, p. 14:5.

PRODUCTION MANAGEMENT

Industrial Economics: *Labor and Capital, Legislation, Wage Theory, Immigration*

Summary of State Reports of Occupational Diseases with a Survey of Preventive Legislation 1932 to 1934

Although the proportion of occupational diseases is slight in the total number of industrial injuries, yet 5 states in 1933 and 3 states in 1934 reported totals of respectively 380 and 340 cases of occupational diseases occurring to women. In the 5 states where the percentage could be computed, women's cases constituted in 1932, 1933, and 1934 from 4 per cent to about 19 per cent of all occupational-disease cases.

Distribution by age of those injured by occupational disease finds a large proportion—especially of women—in the younger groups. This is important in view of other indications that young persons are especially susceptible to certain of these diseases. It is true also that larger proportions of the women

than of the men reported with occupational disease were in the younger age groups.

Dermatoses forms numerically the most important type of occupational disease. Tenosynovitis and bursitis constitute a considerable part of women's occupational diseases in Ohio and are reported as occurring in other states. Women are exposed in very considerable numbers to benzol and other toxic solvent fumes. Cases of lead poisoning to women were reported during the period covered, even though there is evidence that this disease is of decreasing importance numerically in the most hazardous industries and that serious and acute cases especially have declined. Respiratory infections are rapidly becoming recognized as among the most important groups of occupational diseases.

In the United States in 1932-34 a number of state legislatures considered

laws to add occupational diseases to workmen's compensation laws. The Massachusetts legislature passed a law of special importance to women exposed to benzol fumes in industry, specifying a required labeling for all substances containing benzol. Kentucky, New York, and Wisconsin have put into force certain changes broadening or clarifying their laws relating to occupational-disease compensation. Important official investigations of some occupational diseases have been made in several states, including Wisconsin, Pennsylvania, and Massachusetts, sometimes leading to recommendations of changes or additions to the compensation law. In Massachusetts a division of occupational hygiene has been made part of the department of labor and industries. By Margaret T. Mettert. United States Department of Labor, *Bulletin of the Women's Bureau*, No. 147, 1936. 42 pages.

Hours and Earnings Before and After the N.R.A.

Average weekly hours in 16 manufacturing industries increased substantially between May 1935, when the National Industrial Recovery Act was invalidated by the Supreme Court, and May 1936. During the same period, moreover, there was an increase in the proportion of employees with average hours in excess of the peak hours permitted by the codes. Establishments that made the largest increases in average weekly hours usually fell below the general average of hourly earnings. With few exceptions, average weekly hours were somewhat

longer and average hourly earnings materially lower in small than in large establishments. These are a few of the facts brought to light by a special analysis of hours, earnings, and employment before and after nullification of the N.R.A. By Witt Bowden, Bureau of Labor Statistics. *Monthly Labor Review*, January, 1937, p. 13:24.

Injury Experience in the Iron and Steel Industry, 1934 and 1935

Injuries resulting from industrial accidents in the iron and steel industry decreased in 1935 as compared with 1934. The frequency rate declined from 19.42 to 17.14 per million man-hours, and the severity rate declined from 19.42 to 17.14 per million man-hours, although the total man-hours worked increase by 17 per cent. The effectiveness of safety work is indicated by the experience of a select group of establishments with a frequency rate of about one-third of that of the entire group. By Max D. Kossoris and Swen Kjaer. *Monthly Labor Review*, December, 1936, p. 1370:15.

The Social Security Act

The Social Security Act marks an important turning-point in American national policy. Its objectives are sound and essential to an industrial society such as ours.

In its specific provisions, the Act reveals many defects. Some of these rose from the effort to meet constitutional difficulties; others from the haste and emergency pressure that forced us to draft the Act during a great de-

pression; and still others from the uncertainties and confusion of administrative policy.

Analysis of these defects, however, reveals readily certain lines of amendment along which improvements must be sought. Yet many still unsolved problems remain on which experimentation and study are needed. Both to improve the present Act, and to promote real social security, the country must obtain the cooperation of business, as of all groups concerned in the national welfare. By B. M. Selekmán. *Harvard Business Review*, Winter Number, 1937, p. 174:15.

Operations Under the Public Contracts Law (Walsh-Healey Act)

The administration of the public contracts law (Walsh-Healey Act) of 1936 has involved several difficulties of interpretation, such as the definition of such terms as "manufacturer" and "regular dealer," and the determination of prevailing wages. These difficulties, and the efforts to solve them by supplementary regulations of the Department of Labor, are reviewed in the article. By Gerard D. Reilly and John W. Porter. *Monthly Labor Review*, January, 1937, p. 10:3.

Industrial Injuries in 30 Manufacturing Industries, 1934 and 1935

Disabling industrial injuries in factories decreased in both frequency and severity in 1935 as compared with 1934, according to the regular annual survey of the Bureau of Labor Statistics, covering more than 6,000 identi-

cal establishments in 30 manufacturing industries. For the 30 industries combined, the frequency rate decreased from 20.35 injuries per million man-hours worked in 1934 to 18.03 in 1935, and the accompanying severity rate from 2.66 to 2.32 days lost per 1,000 man-hours worked. By Max D. Kossoris and Swen Kjaer, Bureau of Labor Statistics. *Monthly Labor Review*, January, 1937, p. 101:12.

Occupational Distribution of Wage and Salary Payments in Ohio, 1929 to 1934

In Ohio in 1934, wage earners received 69.9 per cent of all wage and salary payments; bookkeepers, stenographers, and office clerks, 17.0 per cent; and superintendents and managers, 6.9 per cent. In manufacturing industries, the proportion received by wage earners was more than 81 per cent while in wholesale and retail trade this proportion was as low as 37 per cent. By Fred C. Croxton and Frederick E. Croxton. *Monthly Labor Review*, December, 1936, p. 1505:4.

Money Disbursements of Wage Earners and Lower-Salaried Clerical Workers in New York City

Automobile ownership is relatively infrequent among wage earners and lower-salaried employees in New York City. Thus in New York only 15 per cent of the families covered in the Bureau of Labor Statistics survey of money disbursements owned automobiles, as against 75 per cent in Grand Rapids and 68 per cent in Detroit.

This condition reflects the traffic difficulties of New York City and the relative cheapness of trolley, bus, and subway transportation. *Monthly Labor Review*, January, 1937, p. 232:9.

Finding Work Where No Jobs Are Open

Although unemployment is decreasing, there is still a surplus of employable persons. Many will remain unemployed until the character of the labor supply fits the demands of the new jobs opened by technological advances. The present shortage of skilled labor in many occupations indicates that ordinary plans for increas-

ing employment by shortening the work week or by other economic legislation will not meet this problem to any appreciable extent.

Among the most practical solutions is a plan for employable workers to fit themselves into the changed situation by self-analysis of their abilities and experience. Many have already created jobs for themselves by entering work they can do but at which they never worked before. Others, with guidance, can do the same. There is a need for community or state-wide services to aid men in this effort. *Conference Board Service Letter*, January 30, 1937, p. 1:3.

Labor Relations: Collective Bargaining, Employee Representation, Arbitration

What Do Workers Want? . . . IT DEPENDS!

The prudent employer knows that what his workers want *depends*. What the worker wants in good times is one thing; what he wants in bad times is another. What he wants of a good, trusted employer is very different from what he wants—and demands—of a bad one.

A great deal of worker dissatisfaction and unrest has been caused by irregular work. The worker wants job-security at all times, and intensely in bad times, but it is wrong to assume that he can be counted upon to desire security and security only in any and all times now and forevermore. As soon as better times give him fair assurance that his job is going to be both steady and protected against

favoritism, he begins to wish for the maximum of opportunity, for the largest possible chance to move up to a better, higher job.

In general, workers have surprisingly little of the desire to share the responsibilities of running the establishment; but here again, it depends. If, as has lately happened in some industries, profits soar before job-security has been fully demonstrated to the workers, some of them will claim that their hourly earnings should be at least doubled.

Whether or not the workers want the thirty-hour week also depends. Under normal business conditions, the rank and file has practically no wish whatever for the short week unless this is accompanied by the same weekly income as before.

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In his endeavor to meet the workers' wants, no employer can hope to do the right thing at the right time, and thereby obtain worker cooperation, unless he makes his watchword "Contact!"—close, daily contact as a means to give and take of mutual understanding and respect. By Whiting Williams. *Forbes*, February 1, 1937, p. 14:3.

Collective Bargaining and the Federal Credit Union

The question is here brought up of whether the federal credit unions can be used to circumvent the effective exercise of rights defined in the Wagner Act. The idea is expounded that since a credit union is not a labor organization, as defined in the Wagner Act, that membership in it and the determination of loans by it can be controlled or strongly influenced by management, thus making it a useful labor tool. By Sidney Schindler. *American Federationist*, January, 1937, p. 57:6.

Organized Labor Movement, 1929 to 1937

The organized labor movement in the United States increased in membership and in organizing activity in the period 1933-37, after 3 years of discouragement and decreasing membership following the slump of 1929. The membership as reported to the Bureau of Labor Statistics was 4,521,498 at the beginning of 1936. Including the Canadian membership, the 46 independent national and international unions had 687,740 members and the

American Federation of Labor had 3,967,582 members in 110 affiliated national and international unions and the local trade and Federal labor unions under its immediate jurisdiction. *Monthly Labor Review*, January, 1937, p. 1:9.

Is Labor Better Off?

One possible explanation of recent, widespread wage increases is Mr. Meredith's finding that two-fifths of the employees of 89 manufacturing and 15 non-manufacturing industries studied were worse off as to "real" weekly wages after four years of "recovery" than they were in the midst of the depression, in November, 1932. Fewer than 3 per cent were receiving smaller actual dollar income in the 1936 month, but such increases as many had received up to that time had been more than offset by the rising cost of living.

Oddly enough, labor demands in the past year have been most insistent in three industries—rubber tires, iron and steel, and automobiles—whose workers by last November had gained among the largest increases in real weekly earnings. By Spencer B. Meredith. *Barron's*, March 1, 1937, p. 11:1.

November, 1936, Session of Governing Body of International Labor Organization

An international conference on labor conditions in the textile industry is to be held in Washington in April 1937. Representatives of employers and employees in the textile industries as well as the governments of the prin-

cial textile-producing countries will be invited to participate. The purpose of the conference, which is under the auspices of the International Labor

Organization, is to explore the possibilities of an international agreement of labor in this industry. *Monthly Labor Review*, January, 1937, p. 72:6.

Personnel

Some Problems of a Small Manufacturing Business

This article deals mainly with the importance of the team spirit, which is more easily cultivated in the small firm than in the large. The team spirit is of particular value when new methods are being introduced or an outside expert consulted. The author deals also with the development of interest in work, the avoidance of favoritism and the importance of free discussion between executives and staff. By Christopher A. Lee. *The Human Factor*, February, 1937, p. 47:5.

The Worker's Point of View: When the Factory Hand Stays Late

The author argues that although a moderate amount of overtime is enjoyed by the worker on account of the additional payment, too much overtime is disliked for various reasons. If overtime is heavy and frequent the worker gets home too late and too tired either to enjoy the advantages of his extra money or to increase his chance of promotion by self-education. Frequent overtime is guarded against, to a certain extent, by trade unions and by the increased rates of pay after hours. Nevertheless unnecessary overtime occurs and particularly so in badly managed factories where time is wasted during the day. One of the chief drawbacks lies in short notice; a

great advantage would be gained if longer warning of overtime could be given. By Louis Katin. *The Human Factor*, February, 1937, p. 69:5.

After 5 P.M.

One of the world's leading department stores has just issued their 1937 book of rules for employees. On one of the pages in the new book they quote the following from a very old book of rules, issued way back in 1854:

—1854—

"THE FOLLOWING RULES WILL BE PUT IN FORCE AT ONCE:

"Store must be opened promptly at 6 A. M. and remain open until 9 P. M. the year around.

"Store must be swept; counters, base shelves, and show cases dusted. Lamps trimmed, filled, and chimneys cleaned; pens made; doors and windows opened; a pail of water, and a scuttle of coal must be brought in by each clerk, before breakfast if there is time to do so, and attend to customers who call.

"Store must not be opened on the Sabbath Day unless absolutely necessary and then only for a very few minutes.

"Any employe who is in the habit of smoking Spanish cigars, getting shaved at a barber shop, going to

dances and other such places of amusement, will most surely give his employer reason to be suspicious of his integrity and all around honesty.

"Each employee must pay not less than \$5.00 per year to the church and must attend Sunday School every Sunday.

"Men employes are given one evening a week for courting purposes and two if they go to prayer meeting regularly.

"After 14 hours of work in the store, the leisure time must be spent in reading good literature." *News and Views*, February, 1937.

Executive Compensation: A Problem in Incentives

Executive compensation goes to the root of business accomplishment. In this article the following principles, underlying the compensation of executives in proportion to their contributions to the success of a business, are set forth:

1. The amount of the fund to be utilized for payment of executive compensation during any current accounting period should stand in a constant or decreasing relation to some basic factor of the business, such as net amount of sales. 2. Executive compensation should be composed of two elements: (a) the base salary, which distinguishes roughly among the varying degrees of training, skill, judgment, experience and other qualifications required for performance of the work, and (b) extra compensation, which becomes payable when super-standard operating results have been

achieved. 3. Any extra compensation plan for executives should differentiate clearly the various levels of difficulty and responsibility at which executive tasks are exercised.

4. Determination of the compensation of executives should always be governed by their individual performance with respect to conditions substantially under their control. 5. The success of any executive compensation plan is conditioned upon the existence of a definite understanding, amounting to a pledge, that if super-standard results within the range of accomplishment are achieved, stipulated extra compensation, expressed in definite terms, will be paid. 6. Standards of accomplishment should be adjusted from time to time in line with changing conditions and improvements in organization, procedure, and equipment.

The following are given as obstacles to be overcome in installing plans of compensation for executives:

1. Inequalities in base salaries tend to offset the benefits of even a liberal plan of extra remuneration. 2. Absence of definite standards of measurement tends to produce an increasingly high correlation between base salary and variable elements of compensation. 3. Participation in extra compensation plans of individuals whose responsibilities and duties are without measurable effect upon profit or performance, militates against the general incentive value of such plans.

4. Artificial depression of base salary levels tends to reduce greatly the incentive value of extra compensation

plans. 5. Uniform distribution of extra compensation in line with base salaries usually nullifies the incentive value of the former. 6. To defer the payment of extra compensation well beyond the period during which it was earned, often results in failure to capitalize its incentive attributes. By Harry Arthur Hopf. *The Society for the Advancement of Management Journal*, January, 1937, p. 15:8.

Employee Good Will Essential to Good Public Relations

In a public service institution, good public relations and good industrial relations are indispensable and inseparable. The president of the Baltimore & Ohio Railroad Company in this article defines their public relations policy in this way: The railroad de-

sires to be regarded as a good neighbor in all the communities which it serves and by all of the people with whom it has business relations.

The individual passenger or shipper forms his opinion of the company from the service rendered and from attitudes of those who render the service. The fact that the earnings of the company, and, therefore, its payroll, are dependent upon the service that the customers get from the employees has been put across to the employees in such a way that they have a cooperative traffic program, sponsored and participated in by all employees with the intent to solicit and secure new business. By Daniel Willard. *Executives Service Bulletin*, Metropolitan Life Insurance Company, January, 1937, p. 1:3.

MARKETING MANAGEMENT

Trade-Mark Bill Dies

With the end of the Kentucky General Assembly came also the end of companion bills making mandatory the registration of trade-marks. It was the sixth attempt to slip over a law making registration mandatory upon penalty of the loss of common law rights therein. Every trade-mark owner and every advertising medium should be alert because this same type measure will probably be introduced in many other states.

The newspapers realizing the danger of this bill did their part. The United States Trade Mark Association and other trade associations in-

formed their members of the seriousness of the situation. Many business men had the mistaken idea that the bill would not apply to those who had Federal registration of their trade-marks.

Registration of the marks would not be compulsory, but lack of registration makes them public property after six months. Should the proposed bill become a law, unscrupulous persons will register the names of well-known brands and then proceed to sell an inferior product under the established names.

From the viewpoint of the manufacturer the bill would be very unfair.

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All owners of trade-marks would be subject to unnecessary expense or the alternative of subjecting such trade-marks to the fraudulent use of unscrupulous people. The door for blackmail will be opened. Now is the time for action. By G. S. McMillan. *Printers' Ink*, January 21, 1937, p 17:6.

Return of Price Protecting Associations?

The Supreme Court decision of December 7, 1936, in the Fair Trade act opens the way for a return of price protective associations. Organizations for the protection of branded goods originated at the beginning of this century in the old countries as well as in the New World. They were suppressed in this country but were successful in securing effective protection for manufacturers and dealers against the evils of price cutting in Great Britain, parts of the Continent and especially in Germany.

Should the Federal Legislature expand resale price maintenance on a nation-wide scale such a development would most probably entail a renaissance of efforts to maintain resale prices through protective associations. *Trade Regulation Review*, January, 1937, No. 2, p. 6:2.

The Robinson-Patman Law: Some Assumptions and Expectations

The Robinson-Patman Act suffers from many causes of ambiguity: it pretends to be what it is not when it puts forward a check on competition

in the guise of an anti-trust law; it combines for the sake of compromise what are really two statutes independently developed without making any effort to render them consistent; it assumes a great many general propositions about business practices, some of which at least are untrue; and it attempts to extend the Federal power over matters that have heretofore been considered purely intrastate.

Behind all this confusion is a desire to remove the evil of the abuse of competitive power. However, an experiment of this kind must be carefully watched for its incidental results, its social and economic dislocations. The crop of these incidental aftergrowths seems in this case quite likely to be one of major proportions. The obligation, therefore, lies at the door of the government to put this piece of legislation in such shape as to minimize doubts and dangers; in a word, to canalize it between safe banks. By E. P. Learned and Nathan Isaacs. *Harvard Business Review*, Winter Number, 1937, p. 137:19.

Supreme Court Decision Opens Way to Extend Fair Trade Acts

The decision of the United States Supreme Court that the California and Illinois Fair Trade Acts are constitutional will be followed by two efforts important to the chain store field—a determined drive to pass Fair Trade Acts in the 33 states which have no such acts and a Federal Act to control goods in Interstate Commerce; and a move to make the acts effective in the fifteen states which

have them by encouraging manufacturers of branded items to sign contracts for the maintenance of minimum resale prices.

All of the Fair Trade acts give to the manufacturer of a branded item the right to enter into a contract with a retailer stipulating that the item shall not be sold below a stated minimum price. Many believe the act will spread in 1937.

Chain executives feel that the Fair Trade act will bring about a curtailment of the worst phases of cut-price selling. The minimum prices will not be raised to unfair levels as the manufacturers realize the necessity for setting these prices at levels that are low enough to compete against similar goods in other brands.

The price-wrecking type of super-market has used sharp price-cutting on branded merchandise as its most potent means of drawing trade. Some chain executives feel that the Fair Trade acts may be effective in curbing this practice. By Frank E. Landau. *The Chain Store Age*, January, 1937, p. 132:3.

The Struggle for the Control of Distribution

Through varied changes in the processes of producing and distributing goods, competition has become largely a rivalry among unlike concerns. In this rivalry the position of the manufacturer and the old-fashioned wholesaler and retailer is threatened.

There have been efforts to cope with the problems resulting from this struggle by group action. It has also

been attempted by the division of markets between manufacturers and distributors through the establishment of a discount policy of manufacturers, and by the classification of customers. Price uniformity and legal issues have also been employed in dealing with the problem.

The most significant aspect of the conflict of the systems of distribution is not the fairness or unfairness to particular concerns but its prospect of developing better and cheaper distributive processes for the economic system at large. By Corwin D. Edwards. *The Journal of Marketing*, January, 1937, p. 212:6.

Consumers' Cooperation Throughout the World in 1935

Substantial gains in membership, sales, and production were made by consumers' cooperative societies throughout the world in 1935. The progress of the wholesale societies was especially noteworthy, with a 7.7 per cent increase in sales and a 9.3 per cent increase in value of goods produced in 1935 as compared with 1934, by societies reporting for both years. Statistical data for the cooperative associations in all countries for which information is available are given in this article. *Monthly Labor Review*, January, 1937, p. 79:17.

Summary of Legislation Affecting Retailers (Jan. 1 through Jan. 22, 1937)

With the states listed alphabetically and with the bills on different subject matters grouped together under each

state, this summary lists all the bills affecting retailing that were introduced between January 1 and January 22, 1937, giving a short statement of the aim of each bill. *Institute of Distribution, Inc.*, 1937.

Expanded Effort to Mark 1937 Industrial Advertising

With marketing programs greatly expanded in preparation for a year of boom proportions in 1937, industrial advertising faces a period in which new ideas, techniques, and methods will vie for honors.

Statements by leading industrial advertising and marketing executives presented in this article present a picture of what is to take place in this highly organized drive for business in the next twelve months. A tendency to raise the advertising budget is seen. New products will be shown, *Industrial Marketing*, January, 1937, p. 17:3.

Survey of Industrial Buying

This factual study of industrial purchases of supplies, machinery, and plant equipment brought out the following facts:

1. The major portion of industrial supply orders are now placed with industrial supply distributors by industrial buyers. 2. Purchases from industrial distributors are increasing rather than purchasing direct. 3. The industrial buyer who purchases from distributors is the key factor in every industrial supply, machinery, and equipment purchase—whether direct or through distributors. 4. All the major buying influences in the

plant can be covered by reaching the industrial supply distributors' prospects and customers. 5. Every industrial plant studied purchased some types of supplies and equipment from distributors. Not one bought less than three items from distributors. By Professor Hugh E. Agnew, Department of Marketing, New York University. Sponsored by *Mill & Factory*. 25 pages.

Measuring Radio Audiences

This is a critical analysis of current techniques for measuring radio audiences.

There are three general types of surveys now in use for measuring the audience of individual programs: Telephone surveys, coincidental and unaided recall; personal interviews, unaided recall and aided recall; mail analyses, questionnaires and audience response. The advantages and disadvantages of each are summarized.

In addition to these there is the Automatic Recording Device, which can be installed inside a radio cabinet. This is now in the experimental stage and only a preliminary evaluation of this technique is attempted. By John J. Karol, Director of Market Research, The Columbia Broadcasting System. Reprinted from *Printers' Ink*, November 19, 1936.

Recovery (in Advertising) Can't Be Stopped

The motor strike can make or break business. If settled soon there will be a continuation of the upward trend;

if not the effect on business will be severe. Motors were a mainspring of recovery and they can produce a business tailspin. To advertisers that means a reduction in expenditures. The trend in advertising sticks close to that in business. Business produces advertising and advertising produces business.

The farm market seems fairly secure and the Administration is committed to a higher farm income—a higher national income. This latter is the best clue to the advertising layout this year. If strikes become so hot they militate against the recovery, everyone expects Roosevelt will step in; in which case business ought to do better and so advertising will go up.

There is a lot of idle money around; banks want to lend; credit is available for going concerns and the security markets are full of vigor. The employment trend is upward; wages are on the up grade. Purchasing power is, therefore, increasing. The necessity to increase volume is acute. To do this advertising is needed.

Advertising is aided and prodded by two energetic impulses; the desire to escape the undistributed earnings tax and the desire to tell industry's story in type and over the air. By J. A. Livingston. *Advertising & Selling*, January 14, 1937, p. 30:4.

Higher Price Problem Solved with New Methods

Today's buying public is trading up. New merchandise at higher prices has brought new problems of stocking and selling to the store manager. The

manager and his assistants must keep in touch with consumer demand. Caution is necessary but one must not be too conservative. The demand is definitely here for better merchandise.

The sales people may question the customer whenever the occasion presents itself on price. Salesmanship must be of the up-and-coming variety. The saleswomen's enthusiasm may be boosted by offering cash rewards to the ones who suggest stock that when introduced shows the best sales results.

Confidence must be built up in your customers and you cannot do this by high-pressure methods of selling. Merchandise knowledge is essential and dramatized selling is needed. By The Manager of a Class "A" Store. *Chain Store Age*, January, 1937, p. 22:5.

The Need for Credit Research

Let us look at credit management from an unbiased and constructive point of view, consider its importance in present-day life, examine equipment needed by the Credit Manager and see what the Bureau of Foreign and Domestic Commerce with the assistance of your Association, can do to supply this need. That credit is vital cannot be doubted when one considers that 50 per cent of all retail stores grant credit and one-third of all retail sales are made on a credit basis. About 70 per cent of all wholesalers grant credit. Ninety per cent of all sales of exporters was made by credit granting firms and 86 per cent of their sales was on a credit basis.

Credit is based on the problem of intelligent credit granting, fair and

equitable rates and equally intelligent collections. Intelligent credit management is needed to eliminate wastes characteristic of this phase of our distribution mechanism. The credit manager must go beyond thinking of credit granting only; he must think in terms of production and sales as well. Good credit management which assists in securing the maximum number of *profitable* sales at the *smallest credit loss* to the organization, is a vital factor in efficient business.

An intensification of the competitive problems arising from efforts to secure a representative share of the consumer's dollar accompanies the present upward movement of business. Many phases of this competition will center upon credit practices and will become the credit manager's problem. Because of this, more definite, detailed, and specific data about your own industry are needed, to be used as a tool in management.

The wholesalers' and manufacturers' reports combined with the Bureau's retail studies tell of the condition of the market for buying and selling and therefore make available a more dependable basis for future business planning.

The Department of Commerce has the responsibility of collecting, analyzing and disseminating material which is of great importance to the business community. Theoretical analyses of our economic problems are naturally desirable and essential but such analyses' effectiveness is increased when allied with factual data. Organized groups such as your own can fill a

definite need by bringing to the Bureau's attention business problems of wide application. By Edward L. Lloyd. *Credit and Financial Management*, December, 1936, p. 10:5.

"Proof in Pictures"

How frequently have industrial salesmen been confronted with this exclamation from prospects, "Why, I didn't know your company could handle a job like that!" shockingly registering the fact that they had no conception of the manufacturer's service capacity. The problem of selling the manufacturer's resourcefulness to service the needs of an industry completely is especially difficult where an extensive line of products, supplies and materials is involved. Of course, there are always catalogs, but these do not invite reading unless the need exists.

The Creamery Package Mfg. Company, Chicago, realized this and issued a very attractive booklet, "Proof in Pictures," to reach all of the company's customers and prospects with a message in pictures that would dramatize the quality and popularity of their equipment and to help the salesmen register a comprehensive picture of their company's service ability. The use of pictures is not new to industrial advertising but the use of just installation photos was a new approach in the field of dairy machinery advertising, according to B. F. Graff, advertising manager of the company, and his reason for this was the difficulty in obtaining good pictures of such equipment.

Mr. Graff believes his book will do the company an enormous amount of good by showing the plant operators and owners that CP not only has a complete line of equipment but that many of the finest plants use it, and by giving the salesmen something more alive than a catalog or a bulletin to work with. By unconsciously building up his confidence and pride in his product the book enables the salesman to do a better job of selling.

The cost of the book was approximately \$1.20 per copy, which covers all expenses, including photography (which Mr. Graff personally supervised), traveling expenses, retouching, art work, plates, typesetting, printing and envelopes. The initial printing of 5,000 supplied major executives of the dairy industry as well as furnishing a limited number for company use. Limiting the book is a means of enhancing the prestige value of it and maintaining it for a longer period of time. There is a saving, not deducted from the above cost of the book, in the frequent use of either photos or actual halftones from "Proof in Pictures," in business paper copy, the house publication and elsewhere. Further production details are given. *Industrial Marketing*, December, 1936, p. 16:2.

Slow-Selling Merchandise

Slow-selling merchandise develops as a most acute problem. The same general plan for handling the mechanical detail of the slow-selling merchandise operation prevails in all stores. In this article Mr. Lyon of Lansburgh & Brothers gives suggestions for dis-

posing of "Slow-Sellers." Slow-moving merchandise has evolved among retailers a number of special selling events and these and other methods of disposal are discussed.

The "Want Slip" system offers pertinent information as to where the trends are and what the customer wants. The Merchandise Control office illustrates past performance and acts as a guide for the policies of the future.

Lyon presents in his article the causes of slow-moving merchandise and states among these: over-buying, stock that somehow or other got lost, inadequate initial markdowns, and poor price-lining.

For more than three years Lansburgh & Brothers has been dealing with corrective methods in preference to developing systems for the follow-up of such merchandise after it has been brought into the house. By Gerald Jay Lyon. *The Balance Sheet*, January, 1937, p. 14:7.

Pictorial Selling

Outlining the essential points of our sales presentation in pictorial form enabled our sales force to cut down the time spent with each prospect, to leave a clear concept of what we had to offer and to see more prospects than had formerly been possible. The volume of sales was increased by 43 per cent in a twelve-month period without increasing the size of the sales force. The pictorial form of presentation was adopted after a survey in 1929 showed that our volume was not increasing.

Illustrations were prepared to take care of the essential points in our sales presentation. It was found possible to give the whole story in an hour, interruptions included. Furthermore we were able to tell from one or two calls whether we were going to be able to sell the individual approached or whether we were just wasting our time. By C. G. Carter, Vice President, The Liquid Carbonic Corporation. *Printers' Ink*, January 21, 1937, p. 53:4.

COUPONS IN ADVERTISING

**How Many Prospects Read Our Ad—
Further Figures Needed to Determine Action Objectives**

In this, the tenth of a series of articles, the author states that by far the largest number of readers of brand names are reached per dollars spent by outdoor publicity.

Response by mail is greatly facilitated by magazine coupons (doubling or trebling the number of responses as against radio) but even with this aid the "hearers" of brand names are more numerous by way of radio advertising than by way of magazine. If the indirect action advertisement is to include a sales talk, more than a few words, the periodicals are the normal media. If direct action is the objective, the periodicals rank first, with the radio in second place.

The classes your advertising program will reach over the radio can be fairly well judged by the type of program and the hour at which it is presented. To discover the people your advertisement will reach when in a periodical, you must consider the ter-

ritorial valuable portion of the circulation and analyze it by financial standards, families vs. individuals, sex, and other reader characteristics as well as by editorial content. By E. T. Gundlach. *Printers' Ink*, January 21, 1937, p. 108:5.

New Dragnets for Sales Dollars

The end of 1936 brought new developments in telephone-sales technique to drag in extra sales dollars for live merchants. Here are some:

1. Any telephone subscriber whose name is listed in the Manhattan directory may call a New York florist, place an order, and charge it, whether or not he has previously opened an account. The shop calls back the listed number to verify the order, and credit is established.

2. In ordering from New York City stores, suburbanites on Long Island can call the Town and Country Service at Garden City at a charge no greater than for a local call; the service then assembles a number of orders for the same store and telephones them into New York.

3. Department stores in the south install telephones on an outside shelf near the sidewalk; customers choose articles from the window display or from catalogs placed beside the instrument, and telephone their orders inside. Macy's has installed a telephone near the main entrance of the store with a sign reading: "Have you forgotten to order something? Use this telephone."

4. A large department store in the west has a special operator who makes calls during the evening after the store is closed. The operator calls every

telephone subscriber in the neighborhood, announces the bargain of the day, and asks for orders. *Forbes*, January 15, 1937, p. 20:2.

Survey of Books For Executives

Prices in Recession and Recovery.

By Frederick C. Mills. National Bureau of Economic Research, Inc., New York, 1936. 581 pages. 60 tables. 16 charts. \$4.00.

This study begins with a thorough treatment of the major factors determining the price situation in 1929. A brief summary of conditions preceding and during the World War is followed by a careful analysis of the situation from 1922 to the present. By a detailed presentation and the liberal use of appendices, Dr. Mills has made it possible to determine the validity of the data and what statistical methods were employed.

The book is divided into three major sections—before the recession, recession and depression, and recovery. Each section treats raw materials, semi-manufactured goods, and finished products separately, as well as emphasizing the consumer's position.

The relationship between costs and prices, particularly for the depression, is analyzed more fundamentally in this volume than is the usual case. The analysis is carried out thoroughly and realistically to a point where it may be considered a new departure and a de-

cidedly improved technique. Dr. Mills has endeavored to recognize all of the factors which complicate comparisons, allow for these, and still keep a thorough comparison of the fundamental measurements in the foreground.

Of the conclusions reached by Dr. Mills, the following is of particular interest: "In spite of the tremendous gain in productive efficiency in manufacturing industries (1914-1929), buyers of manufactured goods were forced to give more for them, in commodities at large, than in 1914. . . . Tendencies of the same sort persisted during the years of recession from 1929 to 1933. . . . The increase of 19 per cent in output per man hour from 1929 to 1933, and the corresponding drop of 16 per cent in the productive effort required to fabricate a unit of goods, worked chiefly to the advantage of producers. . . . From a social point of view it is desirable that gains in productivity should bring a larger output, with advanced living standards for consumers at large, rather than special advantages for some, co-existing with idleness of important productive resources. These ends may be most readily attained through a reduction

in the selling prices of the finished goods immediately affected by the productivity gain, a reduction equivalent to the saving in cost of production."

The numerous recent studies of the depression have all been helpful, yet it may be that Dr. Mills has created the most basic and useful analysis. Certainly, this volume deserves careful consideration.

Reviewed by Albert Haring, Lehigh University.

Big Business: Its Growth and Its Place. Alfred L. Bernheim, Editor. Twentieth Century Fund, Inc., New York, 1937. 102 pages. \$1.35.

This is the first of three volumes embodying the results of a study of big corporations and their place in American life. It attempts to show how large big business bulks in comparison with the smaller concerns on the American economic map as a whole, and on the various sectors of the map which represent specific industries and groups of industries.

It shows that individuals and partnerships still carry on almost half of the country's total business. Only 57 per cent of economic activity is incorporated at all and the proportion that corporations do of total business varies greatly from one industry to another.

Viewed from the standpoint of the concentration of labor, American business shows widely varying conditions. In the cigarette manufacturing industry in 1933, about 99 per cent of the wage earners were employed by the eight largest concerns, and about 91 per cent in the four largest. At the

other extreme is the women's clothing industry in which less than 4 per cent of the workers were employed by the six largest concerns, and only 2 per cent in the four largest. For 82 industries as a whole, the 512 largest concerns, or 1.6 per cent of the total number, employed 37 per cent of all wage earners.

While it is true that about half of the business of the country is done by unincorporated enterprises, and while there are vast numbers of corporations that cannot be called "big" under any definition, it is likewise true that the giant corporations are very big indeed. The 594 largest corporations, which are three-twentieths of 1 per cent of the total number of corporations, owned 53 per cent of the total corporate assets in 1933.

The names of the two forthcoming volumes are *How Profitable Is Big Business?* and *Big Business Salaries*.

Business Executive's Handbook.

Stanley M. Brown, Editor. Prentice-Hall, Inc., New York, 1936. 1281 pages. \$7.50.

This book has been designed to provide, within the covers of one volume, direct and practical answers to the business man's questions and problems. The information is specific and to the point. Forms, tables, short cuts, listings of facts, outlines of procedure—all bring information together in quickly accessible form.

Starting off with business mathematics, it runs through letter writing, selling by direct mail, advertising, sales contracts and forms, purchasing pro-

cedure, insurance, credits and collections, financial statements, business organizations, budgetary control, estate planning, and concludes with a very practical and useful section on telegraph, telephone, and postal information.

Increasing Personal Efficiency.

By Donald A. Laird. Harper & Brothers, New York, 1936. 294 pages. \$2.50.

This is another of Dr. Laird's interpretations of applied psychology written for the non-psychologist, which would be interesting and entertaining for the average man and woman. In this book, as in all his other books, Dr. Laird does not fail to include some unusual and amusing devices which require reader participation.

As a unit, the book is an excellent collection of interesting anecdotes, popular psychological patter, and reminders that you are not doing what you know you should do. The new editions of this book include questions at the end of each chapter which are prepared with a double purpose: first, to enable the reader to review and examine in his mind the material just covered; and second, to use in connection with the chapter on reading aids.

Chapter IV, "Using and Abusing Habits," should make any open-minded individual sit up and take inventory. It is good and it is pointed.

Chapter V, "Aids in Reading," is especially helpful, particularly since modern educators are throwing light on our weak spots and now insist that most of us cannot, because we do not

know how to, read effectively and profitably. There are some excellent tests for the reader in this chapter.

Chapter VI, "Two Dozen Memory Aids," includes some interesting and scientific data.

Dr. Laird has succumbed to the popular interest in lighting and the psychology of light and color and closes his book with what might be a "Hints to the Housewife" section. There are topics dealing with building and decorating homes that are both enlightening and worth-while. Other chapters deal with thought, personality, emotions, fatigue, and environment, all of which tend to assist the reader to understand himself in relation to his work and home life.

While we do not recommend this book to those who are in search of technical material, we believe that no one could read it and fail to find it profitable in some measure. For most of us it would be a constructive experience.

*Reviewed by Mrs. A. W. Bass, Jr.,
The Pennsylvania Company.*

British Methods of Industrial Peace. By Ducksoo Chang. Columbia University Press, New York, 1936. 332 pages. \$4.25.

This study is an attempt to present the British methods of industrial peace as a whole, to describe the actual modes of operation of the various peace agencies, to determine the relative importance of each, and to indicate the possibilities of further progress toward increased efficiency and better and more democratic industrial relations. The

author has based his study principally on materials collected in England in 1929-1932.

After examining the historical background of conciliation and arbitration, the author discusses the compulsory arbitration experiment of World War days. The government agencies for industrial peace and the joint industrial councils system are then studied. Of interest for purposes of comparison with American methods is the chapter explaining the negotiation machinery in the five major British industries. Finally, the author has summed up both past experiences and future prospects.

Economics of the Iron and Steel Industry. Volumes I and II.

By Carroll R. Daugherty, Melvin G. de Chazeau, and Samuel S. Stratton. McGraw-Hill Book Company, New York, 1937. 1188 pages. \$12.00.

The objectives of this study, made under the auspices of the Bureau of Business Research, University of Pittsburgh, are:

1. To assemble, analyze, and present available data bearing on pre-Code economic conditions and trends in the iron and steel industry in order that influences operating under the Code might be evaluated in the light of these conditions and trends.

2. To assemble, analyze, and present the available relevant data on the iron and steel industry, in an effort to seek objective answers to the significant economic problems raised by the Steel Code.

3. To appraise, in terms of these objective answers, the effects of the Code and to evaluate the results of that experiment in industrial self-government.

4. To make recommendations concerning future Government and industrial policy with respect to the problem of regulation—either governmental or industrial—of the iron and steel industry.

The study is presented in four parts. Part I is concerned with the setting and purpose of the study; with the nature of the industry and with economic conditions obtaining in the industry before the adoption of the Code; with a functional analysis of the Code; and, finally with an appraisal of the administration of the Code. Part II is concerned with the problems of the industry relating to production, costs, profits, trade practices, and pricing policies, as those problems manifested themselves under the Code.

Part III is devoted to the labor problems of the industry and of the Code. In Part IV are presented a detailed summary of conclusions and an epilogue in which attention is directed to broad questions of public policy and to an examination of inferences that might be drawn from the study as a whole.

Freedom in The Modern World.

By Jacques Maritain. Translated by Richard O'Sullivan, K.C. Charles Scribner's Sons, New York, 1936. 233 pages. \$2.00.

This is a profound book and as such is not easy reading; it should be studied

and re-studied by those who desire to understand the tremendous crisis through which the world is passing. Its thesis is not easy to state in simple terms without risk of error either by defect or by proportion. It could be stated in several ways, but it seems to this reviewer that it might fairly be put thus: The world is in social revolution because man, in achieving his conquest of the natural world around him, has lost control of himself and has forgotten his own nature. He has sought freedom by struggling to multiply his material satisfactions—as Maritain puts it, “by way of technique” instead of “by way of asceticism.” “Technique is good,” he says (*Le songe de Descartes*), “machinery is good. We ought to express our disapproval of the diehard spirit that seeks to suppress machinery and technical processes. But, if machinery and technical processes are not controlled and firmly subjugated to the well-being of mankind, that is, fully and vigorously subordinated to the ethics of religion and made the instruments of moral asceticism, mankind is irretrievably lost.”

He is lost because he is robbed of his supreme dignity—personality. Because of that dignity, freedom is his right. But the rise of the “totalitarian” state, which is the most ominous phenomenon of modern times, has robbed the individual of that dignity by transferring his personality to the state. The essence of personality consists of reason and will, rationally motivated and assisted by grace. The irony is that modern “humanism” which regards man as

an end in himself and not God, has resulted in dehumanizing him. “In order to rule over nature as a demiurge, man is in fact obliged more and more to subordinate his life to necessities not human but technical, and to forces of the material order that he sets in motion and that invade our human life.—God dies: Man now materialist thinks he can only be man or superman if God is not God.”

The treatment is characteristically orderly. There are three parts; the first is largely metaphysical and deals with the concept of freedom, the second contrasts what Maritain calls “authentic humanism that has God for its centre” with what he calls “the humanism of history that has man for its centre,” and the third outlines the means that must be adopted for the restoration of human personality to its proper place and recovery of man’s freedom. We hear much nowadays of the “spiritual” and the need for its recapture. It is a vague term. Maritain’s point is that the word spiritual is synonymous with “Christian.” He distinguishes three kinds of “means”—spiritual means directed solely toward God, e.g., the Mass, spiritual means directed toward the temporal order, and purely secular means. It is the second of these with which he is mainly concerned—of course, without any substitution of these for the first. His insistence is on *endurance* rather than *resistance*. But it is impossible in brief space to describe more closely his argument. It must be read and re-read to yield its full content, and it should be.

Reviewed by Thomas F. Woodlock.